



# New TSP Record Keeping System

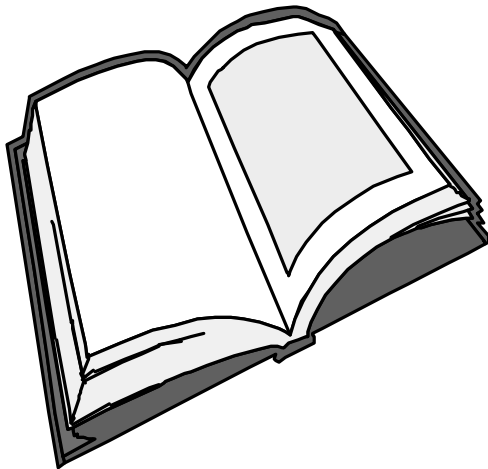
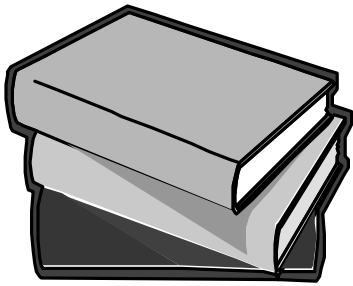
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# New TSP Record Keeping System

## Agenda

- ◆ Introduction
- ◆ Contribution program changes
- ◆ Open season changes
- ◆ Loan program changes
- ◆ Withdrawal program changes
- ◆ Over 50 Catch-Up contributions
- ◆ Summary

# Introduction



# Daily Valuation

- ◆ The new system is valued daily and share-based
- ◆ Share prices for each investment fund are updated each business day
- ◆ Accounts are valued each business day using the daily share prices for the applicable investment fund(s)

# Daily Valuation

- ◆ Transactions (e.g., contributions, loans, withdrawals, and interfund transfers) are processed daily and involve the purchase and/or sale of shares
- ◆ Daily cutoff times (11:00 a.m. central time) apply to most participant-initiated transactions (including interfund transfers)

# Daily Valuation

- ◆ Payroll submissions are being processed upon receipt (except FRB loan submissions which must be held until settlement date)
- ◆ Negative adjustments, breakage, and lost earnings are being calculated and posted at the same time as contributions and loan payments

# Daily Valuation

- ◆ Payroll office reports have been simplified and some eliminated because of the new daily environment
- ◆ Reports reflecting participant-initiated transactions (e.g., loans and financial in-service withdrawals) may be received daily since these transactions are now processed daily

# Daily Valuation

- ◆ From the agency/service perspective
  - Payroll submissions, including negative adjustments and lost earnings records, will be processed immediately and breakage will be posted for makeup and late contributions
  - Some TSP reports could be received daily because loans and in-service withdrawals are processed daily



# Participant Services Improvements

- ◆ For the participants
  - Expanded benefits in all areas
  - Expanded self-service options at [www.tsp.gov](http://www.tsp.gov)
  - Expanded assistance from the TSP Service Office

# TSP Contribution Rules

## FERS, CSRS & Uniformed Services

- ◆ Contribution sources and rules for determining contributions are unchanged
  - FERS: employee, automatic (1%), and matching contributions
  - CSRS: employee contributions
  - Uniformed Services: member contributions; currently no matching contributions

# TSP Contribution Rules

## FERS, CSRS & Uniformed Services

- ♦ The percentages increase in employee contributions may be made in December instead of January because of the change in open season dates

# TSP Contribution Rules

## Percentage Limits

- ◆ FERS: 13% maximum
- ◆ CSRS: 8% maximum
- ◆ Uniformed Services: 8% maximum

# TSP Contribution Rules

## Percentage Limits

- ◆ Future 1% increases will occur during December election periods
  - 2003: 14% and 9%
  - 2004: 15% and 10%
  - 2005: Elective deferral limit

# What's New

- ◆ The record type and the “as of” date are used to:
  - Determine if breakage is to be charged
  - Calculate breakage
  - Determine the appropriate elective deferral year for employee contributions
- ◆ Breakage is being automatically calculated based on the record type and “as of” date of the contribution

# What's New

- ◆ Breakage is charged if the applicable payment record is processed more than 30 days from the “as of” date
- ◆ Note:
  - Contributions and breakage (+/-) will be invested using the current contribution allocation on the posting date
  - New “breakage” reports for the payroll offices

# What's New

- ◆ Partial payment records will be processed
- ◆ If elective deferral limit exceeded or a current employee contribution is within the participant's financial hardship noncontribution period, the system will accept the agency automatic (1%) contribution and reject the employee and any associated matching contributions



# What's Being Eliminated

- ◆ Lost earnings records
  - Will be replaced by automatic breakage calculation
  - Will be retained for transition period only
  - Clean up imperative by August 31, 2003
- ◆ Contribution fund allocation errors eliminated as of August 31, 2002

# What's New for the Payroll Offices

- ◆ New journal vouchers
- ◆ New TSP Web-based data submission application and PC program
- ◆ New reports

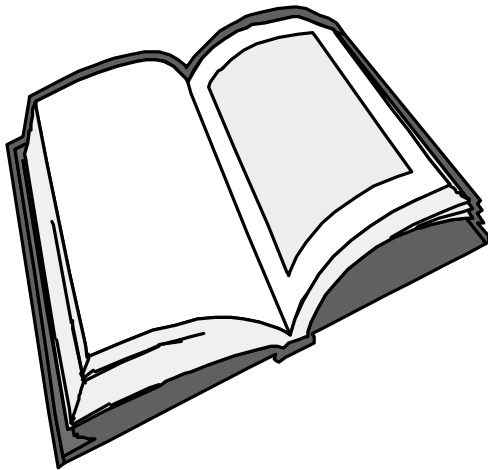
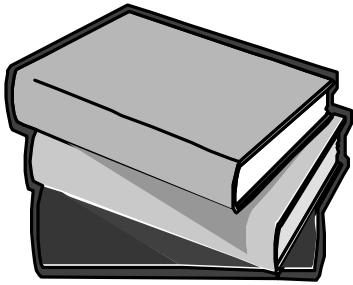
# Changes to Reports

- ◆ Have been streamlined and in some cases eliminated
- ◆ Have been formatted as either electronic data streams or electronic print files as well as paper
- ◆ Have replaced paper notices (e.g., loan payment allotments and missing payments)
- ◆ Detailed breakage/lost earnings reports available upon request

# Transfers and Rollovers Into the TSP

- ◆ No change in the new system, except personal checks as well as guaranteed funds will be accepted
- ◆ Forms TSP-60 and TSP-U-60 will remain available from [www.tsp.gov](http://www.tsp.gov) and the TSP Service Office

# Investments



# Investment Funds

- ◆ Government Securities Investment (G) Fund
- ◆ Fixed Income Index Investment (F) Fund
- ◆ Common Stock Index Investment (C) Fund
- ◆ Small Capitalization Index Investment (S) Fund
- ◆ International Stock Index Investment (I) Fund

# Conversion from Dollars to Shares

- ◆ G, F, C, S, and I Fund balances will be converted to shares as of May 31 at a price of \$10 per share
- ◆ To convert dollars to shares, divide the dollar balance of the applicable investment fund by the share price for the fund

# Investment Requests

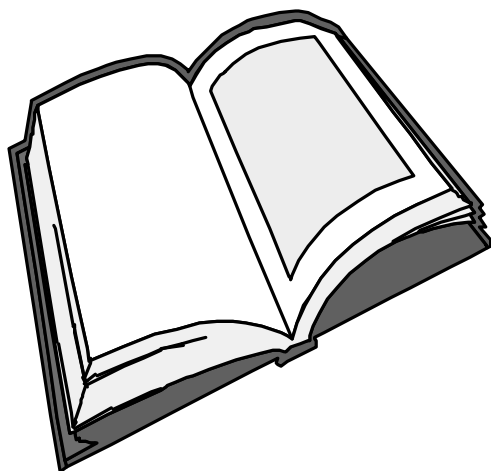
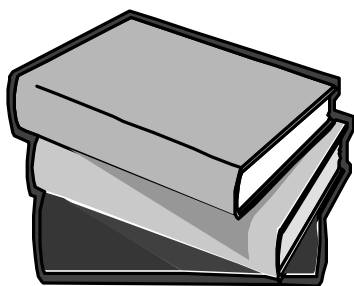
- Contribution allocation requests and interfund transfer requests must be made directly with the TSP
- Use the TSP Web site, the ThriftLine, or the Investment Allocation form (TSP-50/U-50)
- Until a new participant makes a contribution allocation request, contributions will be invested in the G Fund



# Processing Investment Requests

- Electronic contribution allocations and interfund transfers requested by 11 AM CT will ordinarily be effective as of close of business that day
- Paper requests will ordinarily be entered into the system within 24 hours of receipt
- Participants will receive verification of their investment changes

# Loan Program



# What's New

- ◆ Apply and, in some cases, complete the loan request at [www.tsp.gov](http://www.tsp.gov)
- ◆ Daily disbursements
- ◆ Disbursements via electronic funds transfer (EFT) to checking or savings account

# What's New

- ◆ Participants may send additional loan payments to the TSP (e.g., if they are in missing payments or nonpayment status)
- ◆ Payments can be made by personal checks as well as guaranteed funds

# What's Changing

- ◆ Maximum Repayment Terms
  - General Purpose = 5 years
  - Primary Residence = 15 years
- ◆ No limit on the number of voluntary reamortizations for an outstanding loan

# What's Changing

- ♦ Missed payments
  - IRS requires “cure” by end of second quarter following missed payment(s)
  - Taxable distributions declared if still in default at the end of that quarter

# What's New

- ◆ New loan applications (TSP-20/U-20) and loan agreements (TSP-21/U-21)
- ◆ If payments submitted by FRB, payments which cannot be processed will be returned via FRB

# What's New

- ◆ If loan payments submitted by journal voucher
  - L6/L7 format and new vouchers
  - Payments posted immediately (same as contributions)



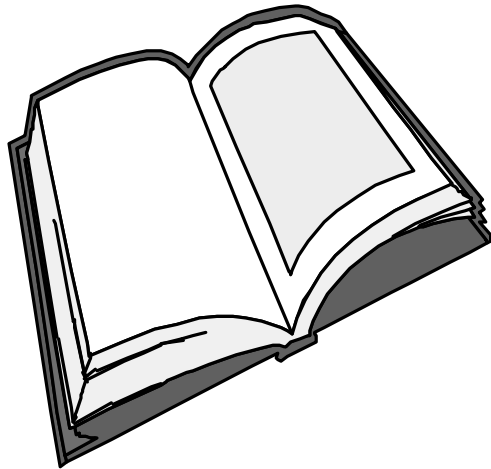
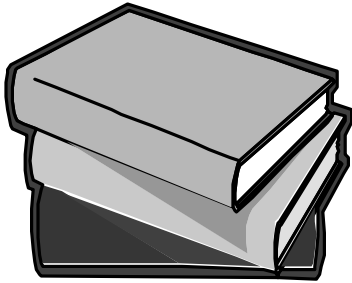
# What's New

- ◆ New loan reports
  - Processing reports for payroll offices submitting by journal voucher
  - Loan status reports (start, stop, change payments and missing payments)
  - Electronic data file version of the loan status reports can eliminate manual data entry

# What's Being Eliminated

- ◆ TSP-22, Payroll Allotment
  - Participant certification incorporated in the loan agreement
  - Payroll offices notified via the new electronic loan status report
- ◆ Combined loan numbers

# Withdrawal Program



# In-service Withdrawals



- ◆ Age-based
- ◆ Financial hardship

# What's New

- ◆ Age-based in-service withdrawals
  - Participants can apply, and in some cases complete, a request at [www.tsp.gov](http://www.tsp.gov)
  - Form includes transfer information

# What's New

- ◆ Financial hardship in-service withdrawals
  - Self-certified form; documentation eliminated
  - Noncontribution period starts immediately
  - Payroll offices can use the electronic data file to eliminate manual data entry of mandatory terminations of employee contributions (and associated matching contributions)
  - Individual notices to agencies have been eliminated

# What's New

- ◆ Daily disbursements
- ◆ Disbursements via electronic funds transfer (EFT) to checking or savings account
- ◆ Notarized spouse consent required for married FERS/Uniformed Services participants

# What's New

- ◆ To assist payroll offices, the new system will accept the agency automatic (1%) contributions even if the employee contributions and associated matching cannot be accepted. (Partial processing of payment records)
- ◆ Electronic data file of the financial hardship in-service withdrawal report can eliminate manual data entry



# Post-separation Withdrawal Options

- ◆ Leave your money in the TSP
- ◆ Partial withdrawals
- ◆ Full withdrawals
  - Single payment
  - Monthly payments
  - Annuity
  - Mixed elections

# Leaving Money in the TSP -What's New

- ◆ Cashout option mandatory for participants with balances of less than \$200
- ◆ Payments must begin no later than March 1 of the year after the participant is separated and age 70 1/2

# What's New - Partial Withdrawals

- ◆ One-time request (cannot have taken an age-based in-service withdrawal)
- ◆ Minimum amount that can be requested is \$1,000
- ◆ Application at [www.tsp.gov](http://www.tsp.gov) or new Form TSP-77/U-77
- ◆ Single payment only (EFT and transfer options available)

# What's New - Partial Withdrawals

- ◆ Married FERS/Uniformed Services participants must have notarized spouse consent
- ◆ Two-day spousal notification rule applies for married CSRS participants
- ◆ Daily disbursements

# What's New - Mixed Payments

- ◆ Application at [www.tsp.gov](http://www.tsp.gov) or revised Form TSP-70/U-70 (transfer form eliminated)
- ◆ Can mix single, monthly, and annuity withdrawal options
- ◆ EFT and transfer options available for single and some monthly payments

# What's New - Mixed Payments

- ◆ Married FERS/Uniformed Services participants must have notarized spouse consent
- ◆ Two-day spousal notification rule applies for married CSRS participants
- ◆ Daily disbursements

# What's Changing - Monthly Payments

- ◆ Retained options to:
  - Specify dollar amount
  - Request TSP compute monthly payment (based on IRS uniform table)
- ◆ Eliminated option to request a number of monthly payments

# What's New - Monthly Payments

- ♦ Annual election to change monthly payments from:
  - Compute my payment to dollar amount
  - Current dollar amount to new dollar amount
- ♦ Changes are effective in January of the following year



# What Else Changed

- ♦ Some changes to:
  - Requests for exception to spousal requirements
  - Court ordered payments
  - Death benefit payments

# What Else Changed

- ◆ Quarterly participant statements
  - Includes loan information
  - The October 2003 statements will be available at [www.tsp.gov](http://www.tsp.gov).
    - To continue to view the statements on the web, you must register. (You will not get a mailed copy.)
    - Otherwise, you will only receive a mailed statement
- ◆ Additional enhancements at [www.tsp.gov](http://www.tsp.gov)

# Over 50 Catch-Up Contributions

- ◆ Elections in July 2003
- ◆ First contributions in August 2003

# Over 50 Catch-Up Contributions

- ♦ Public Law 107-304, signed November 27, 2002, permits eligible participants age 50 or older to make tax-deferred “catch-up” contributions to the TSP
- ♦ The maximum contribution for 2003 is \$2,000 with \$1,000 increases each year through 2006
- ♦ The catch-up contributions are in addition to the regular TSP employee contributions

# Over 50 Catch-Up Contributions

- ♦ The catch-up contributions are tax-deferred but do not count towards the IRS elective deferral limit (\$12,000 for 2003)
- ♦ To become eligible for the catch-up a participant must:
  - Be age 50 or older, or will turn age 50 in the calendar year the election is submitted
  - Be in a pay status
  - Self-certify that he/she has a regular election on file to contribute the maximum TSP percentage of basic pay, or an election on file where the maximum IRS elective deferral limit will be contributed during the year (possibly from one or more plans)
  - Not be in the 6 month termination period because of a TSP financial hardship in-service withdrawal

# Over 50 Catch-Up Contributions

- ◆ The participant will elect to contribute the catch-up by submitting Form TSP-1C to the agency for processing
- ◆ Catch-up contributions are made through payroll deduction only and are not matched
- ◆ After the initial period to begin the catch-up, the participant may elect to start and stop contributions at any time
- ◆ Open season dates do not apply to catch-up contribution elections

# Over 50 Catch-Up Contributions

- ◆ Catch-up contributions will not continue into the next calendar year. A new TSP-1C must be submitted each calendar year when the participant is ready to begin catch-up contributions
- ◆ The participant will elect the whole dollar amount he/she wants deducted from pay. Once effective, payroll will deduct the dollar amount each pay period until:
  - The end of the calendar year; or
  - The annual limit for the catch-up is reached; or
  - A new Form TSP-1C is submitted to stop or change the contributions
  - The participant receives a financial hardship in-service withdrawal; all employee contributions are terminated for six months
- ◆ The election is effective the first full pay period after receipt by the agency